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Army and State Department
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NEAR EAST - AFRICA

4. Iranian Senator criticizes Mossadeq's handling of oil issue:

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Prime Minister Mossadeq's son-in-law, Senator Matin Daftari, recently told an Iranian [redacted] official that the situation in Iran would soon be "catastrophic."

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Senator Daftari, who appeared "willing" to succeed his father-in-law, favored an approach to the oil problem which would enable Great Britain to recover part of its losses in Iran without offending the Soviet Union.

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Daftari

apparently attempted to sound out Soviet intentions in the oil matter during his attendance at the Moscow Economic Conference.

Comment: Daftari's statements reflect the growing desire in Iran for settlement of the oil dispute. His plan appears no more concrete, however, than similar ones proposed by other leading Iranians. Since Daftari clearly shares the general Iranian suspicion that the Soviet Union, like Britain, is conspiring against Iran, he may have attempted to ascertain the Soviet view on the matter.

5. Comment on the Soviet protest against American military aid to Iran:

The note delivered to Iran on 21 May is the first official Soviet reaction to Mossadeq's agreement on 24 April to the renewal of American military aid. Earlier, the Soviet Ambassador in Iran was said to be "furious" over its resumption, and his absence from the opening session of the Majlis on 27 April was interpreted as an unofficial expression of Soviet displeasure.

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While the note, the first sent to Iran since 1950, would appear routine Soviet policy, the Russian trade delegation in Iran has now reversed its position and insisted that oil be included in the list of exports under the pending Iranian-Soviet trade agreement. The protest, therefore, would appear timed to force Iran to agree to the Soviet terms, as well as to reconsider renewal of American military aid.

Should Iran consent, the USSR might attempt to import at least a token oil shipment in order to force the United States to suspend assistance.

WESTERN EUROPE

6. West German Government will attempt early ratification of contractual agreement:

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Federal Republic coalition leaders will press Parliament for ratification of the Allied-German contractual agreement before it adjourns on 20 July. They believe that prompt American ratification of the treaty would greatly improve chances of early acceptance of the treaty by German legislators.

High Commissioner McCloy comments that West German ratification will surely be delayed if the United States Senate fails to approve the document during its present session, or if Allied-Russian talks are held on German unification in the near future.

LATIN AMERICA

7. Revolutionary elements reportedly ready to renew Caribbean activities:

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The Panamanian Consul General in Costa Rica has informed his government that preparations are being made to run substantial amounts of

arms, including over 500 machine guns, from that country to Panama. The Panamanian Minister of Government says that the shipments are destined for Venezuela.

Meanwhile, Ambassador Wiley reports that US Army intelligence in Panama has information that the Caribbean Legion is moving arms to the west coast of Costa Rica.

Comment: The arms may be coming from the plantation of Jose Figueres, ex-President of Costa Rica whose name has long been linked with activities of the Caribbean Legion, a heterogeneous group of political exiles whose aim is the overthrow of dictatorships.

The weapons could be destined for any number of trouble spots in the area: Panama, where anti-Remon forces threaten to challenge by force the results of the 11 May election; Colombia and Venezuela, where arms reportedly have been smuggled to opposition groups recently; or Ecuador, where political conditions are highly unstable with the approach of the 1 June presidential elections.